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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ALASKA**

UNITED STATES OF AMERICA for the use of
NORTH STAR TERMINAL & STEVEDORE
COMPANY, d/b/a Northern Stevedoring &
Handling, and NORTH STAR TERMINAL &
STEVEDORE COMPANY, d/b/a Northern
Stevedoring & Handling, on its own behalf,

Plaintiffs,

and

UNITED STATES OF AMERICA for the use of
SHORESIDE PETROLEUM, INC., d/b/a Marathon
Fuel Services, and SHORESIDE PETROLEUM,
INC., d/b/a Marathon Fuel Services, on its own
behalf,

Intervening Plaintiffs,

and

METCO, INC.,

Intervening Plaintiff,

vs.

NUGGET CONSTRUCTION, INC.; SPENCER
ROCK PRODUCTS, INC.; UNITED STATES
FIDELITY AND GUARANTY COMPANY; and
ROBERT A. LAPORE,

Defendants.

Case No. A98-009 CIV (TMB)

STATUS REPORT ON MEDIATION

As instructed at the last status conference, the parties have explored the possibility of

mediating this dispute. North Star circulated a mediation proposal containing terms raised and discussed by the parties at the status conference. Shoreside/Metco, consistent with its position at the status conference, does not want to incur the expense associated with a mediation using an out-of-state mediator. Shoreside/Metco is holding settlement talks with Nugget and USF&G in Seward on September 26, 2006. Counsel will be present at the settlement talks.

North Star and USF&G are prepared to mediate using an out-of-state mediator under the general terms discussed at the status conference and as set out in the subsequent proposal from North Star. Nugget has decline to participate in a mediation under these terms. North Star and USF&G have agreed to hold settlement talks in Anchorage on September 27, 2006. It is anticipated that Nugget will participate, but that has not yet been confirmed.

Dated: September 18, 2006.

s/ David W. Pease
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CERTIFICATE OF SERVICE

I hereby certify that on September 18, 2006, a copy of the foregoing was served electronically on Traeger Machetanz, Steven J. Shamburek, Paul Stockler, Herbert A. Viergutz, and C. Patrick Stoll.

/s David W. Pease